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INTRODUCTION

The life of the Agriculture and Food Act of 1981 is now half over. Whether it has served well or poorly depends partly upon one's policy preference, but it has indisputably been used. Its provisions about food stamps, grain reserves, commodities, exports, and finance have provided both the springboard for several legislated changes and the framework within which administrative decisions continue to be made. These include the monumental PIK (payment-in-kind) addition to the current year's commodity programs as well as the far-reaching blended credit addition to export policy. Both have reshaped their respective environments to a degree hardly expected only six months ago. In the six months ahead, the slowly expanding domestic economy, the unfolding of the events triggered by the high PIK sign-up, and the unsettled international trade situation are sure to keep the policy arena interesting--maybe dramatic.

With the termination of the 1981 Act only a little over two years away, researchers are challenged to provide even more reliable, relevant knowledge for the next cycle of policy-making and educators to insure an even better informed public to participate. Information and joint efforts can enhance both achievements.

Policy Research Notes is distributed to provide a communication linkage among these policy workers. It is circulated on a May and November schedule each year. Requests for copies of earlier issues of these Notes and for the latest Policy Workers List, comments or suggestions about them, and proposed contributed articles may be sent to either address below.

CONTENTS

Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS. The Notes are prepared by R. G. F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801, and James A. Zellner, Food and Agricultural Plicy Branch, ERS, 500 12th Street, S.W., Washington, D.C. 20250.

ANNOUNCEMENTS

Program for National Public Policy Education Conference Selected

The program for the 33rd Annual NPPEC Meeting to be held September 12-15, 1983, at Illinois Beach State Park, Zion, Illinois will be built around the following segments:

AMERICAN ECONOMY IN TRANSITION -- POLICY ISSUES

Specific Implications for Agriculture

Workshop Sessions on Issues About Local Government, Human Resources, and the Industrial Sector

LAND OWNERSHIP ISSUES AND POLICY EDUCATION APPROACHES

Particular Attention to Black Owners of Farmland

U.S. FOOD AND AGRICULTURAL SYSTEM IN AN INTERNATIONAL SETTING, INCLUDING WORKSHOPS

Policy Education Process

RESHAPING AGRICULTURAL RESEARCH AND EDUCATION INSTITUTIONS

Further information may be obtained from Bobby H. Robinson, Chairman, Program Planning Committee, Department of Agricultural Economics, Clemson University, Clemson, SC 29631, and also from Jim Hildreth or Walt Armbruster, Farm Foundation, 1211 West 22nd Street, Oak Brook, IL 60521

New Policy Journal Initiated at Georgia

The first issue of a new Journal of Agribusiness was released in February, 1983. Sponsored by the Agricultural Economics Association of Georgia and the Division of Agricultural Economics, University of Georgia, the purpose of this Journal is to provide a forum for discussion and presentation of ideas related to the issues and opportunities in agriculture, agribusiness and related activities, including finance, exchange, and government policies and programs. Articles are developed from invited papers presented at the annual meeting of the Agricultural Economics Association of Georgia and from additional invited or contributed papers. All articles are reviewed by at least three members of the editorial council with recommendations for publication. Emphasis is placed on conveying sound economic information in a language readily understandable to those in agribusiness.

Membership in the Agricultural Economic Association of Georgia, consisting of persons and organizations having an interest in agriculture, agribusiness and related activities, includes subscription to the Journal. Further information about this new avenue for communications among policy workers may be obtained from J. C. Purcell, Department of Agricultural Economics, Georgia Experiment Station, Experiment, GA 30212.

Communities in Transition Workshop Planned in Western Region

Under the auspices of the Western Community Rural Development Committee and the Western Extension Policy Committee, a leadership training workshop is being planned for the fall of 1983, particularly for Extension personnel involved in Community Rural Development work. The theme of the leadership training will be: Communities in Transition, with attention to the problems and educational responsibilities.

Further information can be obtained from the leader of the workshop planning group, Bill Gomez of New Mexico State University.

Symposium on Policy Issues for Southern Agriculture

On June 2 and 3, 1983, at Clemson University, agricultural policy experts and national political policymakers will participate in a symposium to discuss policy needs in the agricultural arena and to examine policy approaches that may provide viable alternatives for the future. Topics include commodity, resource, and institutional issues important to the South plus relevant national and international linkages.

The program will feature several major sessions dealing with an analysis of the environment within which policy is formulated, including current economic conditions affecting agriculture in the South. These sessions will be followed by more specific examinations of commodity issues and policy alternatives and a concluding panel discussion of critical issues facing the leaders of southern agriculture.

Agricultural producers, agribusiness operators, government agency staff, legislators, legislative staff, farm organization leaders, and university personnel are invited to attend and express their views.

The Department of Agricultural Economics and Rural Sociology at Clemson University is helping to sponsor this forum. Hal Harris and Mike Hammig of that Department, Barre Hall, Clemson University, Clemson, SC 29631, may be contacted for further information about the symposium and subsequent availability of proceedings.

New Interregional Policy Research Project Meets After Purdue AAEA

The technical committee representing some 18 universities from all regions and USDA, ERS, involved in NC-169, will hold a half-day workshop in Innovative Policy Options and a planning meeting on August 3-4, 1983, following the annual AAEA meetings at Purdue University. This new three-year North Central sponsored Regional Policy Research Project titled, "Analysis of Food and Agricultural Policies in an Uncertain Economic Environment," was launched in October 1982.

Further information may be obtained from Marshall Martin (Technical Committee Chairman), Department of Agricultural Economics, Purdue University, West Lafayette, IN 47907, or Bob Spitze (Vice-Chairman), 305 Mumford Hall, 1301 West Gregory Drive, University of Illinois, Urbana, IL 61801.

Regional Effort Launched on the Community Impact of Northwestern Grain Exports

The Western Rural Development Center at Corvallis, Oregon, has launched an effort among the four Northwestern States to develop a set of review papers on the impact of developments in the grain exports of the area as they affect the various segments of the rural communities. One thrust of the papers will focus on the effect of changes in technology in the movement of grain out of the Northwest, such as combinations of transportation using unit trains, barges, and trucks. Another phase will focus on the competitive impacts on transportation investments and on agricultural prices. Yet another will relate to the impact of grain exports on the highway system. The papers will be designed to communicate to the general public through various avenues of the mass media.

Neil Meyer of the University of Idaho is project leader, assisted by Jim Corneilus of Oregon State University, Bob Sargent of Washington State University, and J. H. Bahn of Montana State University.

Soil Erosion and Water Quality Conference in Illinois

A conference open to the public will be held on the theme, "Soil Resource Base and Water Quality Impacts," November 9-10, 1983, Springfield, Illinois. Proposed participants are legislators, various governmental agencies working in the soil erosion and water quality area, environmental groups, and the public.

For further information about this conference, contact Division of Natural Resources, Illinois Department of Agriculture, Illinois State Fairgrounds, Springfield, IL 62706-1001

Range Economics Research Symposium Scheduled

Immediately following the annual meeting of the Western Agricultural Economics Association, Laramie, Wyoming, there will be held on July 13-14, 1983, a symposium on Range Economics Research. It is an open conference intended to stimulate interest in Range Economics Research by focusing on issues of a broad policy as well as a more specific technical nature.

Inquire about this symposium from Giles Rafschneider, Department of Agricultural Economics, Colorado State University, Fort Collins, CO 80523.

Labor Markets in Nonmetropolitan Areas---New Proposed Regional Project

A joint USDA southern regional research project has been proposed under the title of "Labor Markets and Labor Force Differentiation in Non-metropolitan Areas," and with a starting date of October 1, 1983. The objectives of the project are: (1) to identify and measure the characteristics of local labor markets as basic units of social organization; (2) to assess the impacts of social and economic changes on non-metropolitan labor markets and the labor force participation of rural residents; and (3) to assess the impact of local labor market characteristics on individuals and households.

Inquire about this new regional research effort from Thomas A. Lyson, Department of Agricultural Economics and Rural Sociology, Clemson University, Clemson, SC 29631.

POLICY RESEARCH NEWS ITEMS

Subsidies on Agricultural Products

Research in this project will focus on several questions dealing with the use by countries all over the world, including the U.S., of export subsidies. Exporting countries tend to subsidize exports of agricultural products to get rid of surpluses. After several years with few subsidies, the United States is again subsidizing exports to reduce surpluses. Who gains and who loses from subsidies? What are the subsidy costs per dollar gain in farm income or per dollar gain in export earnings? How may those cost/benefit ratios be improved?

Inquire about this research from Jerry A. Sharples, International Economics Division, ERS, Department of Agricultural Economics, Purdue University, West Lafayette, IN 47907, and request a copy of a related paper, "Production Controls and/or Export Subsidies," from either of the authors, Bob F. Jones or Jerry A. Sharples at the above address.

Outlook and Policy for OECD Countries

As well as monitoring developments in meat and dairy products markets on a continuing basis, the OECD also prepared medium-term forecasts for a number of products. Trends are outlined in production and consumption of these products over the period 1980-87 and attention is drawn to both current and impending problems which may call for policy adjustments.

Inquire about this work from Geoffrey Haydock, Directorate for Food, Agriculture and Fisheries, OECD, 2 rue Andre'Pascal, 75016 Paris, France, and order a related report (may be a charge), The Medium-Term Outlook for Dairy Products and Meat, from OECD Publications and Information Center, Suite 1207, 1750 Pennsylvania Avenue, N.W., Washington, D.C. 20006.

Calculating Compensatory Amounts in EEC

This investigation concerns procedures in the price and income policy of the European Common Market. It attempts to describe the methods to be used for the calculation of monetary compensatory amounts and for the adjustment of green rates as applicable in the common agricultural policy of the EEC.

Inquire about this work and a related publication, "Methods for Calculation of Monetary Compensatory Amounts," from T. Leenders, European Commission, Berl. 3-35, Wetstraat 200, B-1049, Brussels, Belgium.

Agricultural Issues in the Spanish Accession to the EEC

Inquiry was made into the general issues as perceived by the EEC and Spain concerning the entry of the latter into the EEC. It dealt with the implications for several regions and sub-sectors.

Inquire about this study from Alfredo Cadenas, Dpto. Economia y Sociologia Agrarias, CRIDAG, INIA, Apdo. 8111, Madrid, Spain, and request a copy of a related report La cuestion en la adhesion de Espana a lc CEE, from the Sr. Subdirector, Direccion de Coordinacion y Programas, c/o Jose Abascal 56, Madrid, Spain.

Soviet Trade Policy Issues

This study is based on papers prepared for and discussed by the OECD Ad Hoc Group on East/West Economic Relations in Agriculture. Its main emphasis is on the two most sensitive branches of Soviet agriculture--meat and grain production--and on implications of their development for Soviet foreign trade up to the end of the present decade.

Inquire about this study from Ferdinand Kuba, Directorate for Food, Agriculture and Fisheries, OECD, 2 rue Andre'Pascal, 75016 Paris, France, and order a related report (may be a charge), Prospects for Soviet Agricultural Production and Trade, from OECD Publications and Information Center, Suite 1207, 1750 Pennsylvania Avenue, N.W., Washington, D.C. 20006.

Export Instability and the U.S. Corn/Livestock Market

This study employs an econometric model of the U.S. corn/livestock economy to examine the domestic effects of instability in demand for U.S. corn exports. Inelastic response to price changes on the part of world market participants exacerbates adjustment problems faced by U.S. livestock producers. This study also includes projections for the market over the 1980's.

Inquire about this study and request a related publication, "The Impact of Export Instability on the U.S. Corn and Livestock Markets: An Econometric Analysis," Cornell A.E. Res. 82-45, December 1982, from Susan E. Offutt, University of Illinois, 305 Mumford Hall, 1301 West Gregory Drive, Urbana, IL 61801.

Role of Government in Agriculture/Agribusiness--Theme of Conference

The Agricultural Economics Association of Georgia sponsored a conference on the theme of "The Role of Government in Agriculture/Agribusiness," in November 1982. Revised, edited, and updated versions of these papers plus other solicited papers were published in the first issue of the Journal of Agribusiness released in February 1983.

Inquire about the availability of these papers through this publication from J. C. Purcell, Department of Agricultural Economics, Georgia Experiment Station, Experiment, GA 30212.

Agricultural Policy Subject of AAAS Symposium

Section O of the American Association for the Advancement of Science Annual Meeting included a workshop on May 26-29, 1983, with the theme, "Restructuring Policy for Agriculture: Some Alternatives Examined." Speakers included W. D. Hefferman, I. G. Youngberg, Lyle P. Schertz, John Hoseman, P. W. Barkley, L. W. Libby, R. K. Knutson.

For further information about availability of these papers, contact Sandra S. Batie, Department of Agricultural Economics, Virginia Tech, Blacksburg, VA 24061.

National Agricultural Policy Conference Held

On March 27-29, 1983, a National Agricultural Policy Symposium was held in Kansas City, Missouri. Sponsored by the Department of Agricultural Economics, University of Missouri-Columbia and the Agribusiness Council of the Kansas City Chamber of Commerce, the Conference focused on the key agricultural policy issues likely to be important in the upcoming 1985 farm program legislation debate. It was designed to bring together agricultural leaders, policymakers, and members of the academic community to discuss these issues and alternative policies.

Contact person about the Symposium and possible proceedings is Bruce Bullock, Department of Agricultural Economics, 200 Mumford Hall, University of Missouri-Columbia, Columbia, MO 65211.

Research on Cooperatives Subject of Workshop Held

On May 9-10, 1983, in St. Louis, a workshop was held on the theme, Research on Cooperatives in the 1980's, for economic researchers in the coop area, USDA, and the land grant system. Objectives of the workshop were: (1) appraise the present state of research on cooperatives; (2) identify cooperative issues and problems needing research in the 1980's; and (3) stimulate additional research on cooperatives. It was sponsored by the Farm Foundation, USDA Agricultural Cooperative Service and the Institute for Cooperative Leadership at the University of Missouri.

Inquire about possible availability of these workshop papers from Walter J. Armbruster, Farm Foundation, 1211 West 22nd Street, Oak Brook, IL 60521.

Undergraduate Policy Book Published

This new book, Agricultural and Food Policy, is authored by Ronald D. Knutson, J. B. Penn, and William T. Boehm. It has been designed as an undergraduate text to cover each of the major policy areas--policy process, domestic farm policy, international trade policy and food policy. Just enough economics is used to make policy analysis possible for the undergraduate student.

Inquire about this book from Ron Knutson, Department of Agricultural Economics, Texas A&M University, College Station, TX 77843, and order (charge $25.95) from Prentice-Hall, Inc., College Operations Department, Englewood Cliffs, NJ 07632.

New Book on Federal Marketing Programs in Agriculture

A new book entitled, Federal Marketing Programs in Agriculture: Issues and Options, 326 pp., has just been published with Walter J. Armbruster, Dennis R. Henderson, and Ronald D. Knutson as editors. The purpose of this publication is to decribe 8 federal marketing programs, analyze how they will serve today's agricultural marketing system, identify issues that are unresolved, and assess consequences of options for dealing with them. The final chapter provides a general framework for understanding the decision process and ways to bring about changes in the agricultural marketing programs.

Order copies of the book from The Interstate (charge $9.75 per copy, less for multiple copies), P.O. Box 594, Danville, IL 61832.

Soil Erosion Book Published

A new book concerned with soil erosion policy problems and solutions has been authored under date of 1983 by Sandra S. Batie, Department of Agricultural Economics, Virginia Tech.

Inquire about availability from The Conservation Foundation (charge of $8.50), 1717 Massachusetts Avenue, N.W., Washington, D.C. 20026.

Social and Economic Aspects of Erosion Control in Idaho and the Northwest

This project addresses the economic and social factors affecting soil erosion control in Idaho. An interdisciplinary research effort has also been launched. STEEP: Solutions to Environmental and Economic Problems in the Pacific Northwest.

Inquire about these projects from Edgar L. Michalson, Department of Agricultural Economics, University of Idaho, Moscow, ID 83843.

Low Income Producer Cooperatives of California: Cases and Policy Implications

Several cases of low-income producer cooperatives in California are examined in this study for their policy-related implications. Former farm workers have gained access and ownership to land in California by forming cooperatives over the 1970's. Some survive and are making gains as owner-operators of labor intensive farms. Many have failed as cooperatives, but have continued in agriculture as "spin-off" partnerships and joint ventures.

Inquire about this research and request copies of two related articles "California's Low-Income Producer Cooperatives," by Refugio Rochin and Steven Huffstutlar, and "Can Low-Income Producer Co-ops Survive in California's Ag. Climate?", by Refugio Rochin, by contacting the senior author, Department of Agricultural Economics, University of California-Davis, Davis, CA 95616.

Physical and Institutional Transport Effects on Agricultural Production and Marketing in Idaho

This study is designed to describe the change effects of physical and operating rules on cost and timeliness of transporting agricultural supplies to producers and agricultural products to consumers.

Inquire about this study from Neil Meyer, Agricultural Science 24, University of Idaho, Moscow, ID 83843.

Impacts of 1982 Dairy Policy Changes

This study is an analysis of the impact of the 1982 dairy legislation providing for a deduction of 50 cents per hundredweight on all milk produced on the dairy industry, with particular attention to the Southeast. Several alternatives to the assessment plan were analyzed. The alternatives take into account both market demand and supply response.

Inquire about this study from Dale H. Carley, Department of Agricultural Economics, Georgia Experiment Station, Experiment, GA 30212, and request a related report, The 1982 Dairy Legislation--Impact on Six Southern States--Some Program Alternatives, Agr. Econ. Series 34, January 1983, from Lowell Wilson, Department of Agricultural Economics, Auburn University, Auburn, AL 36830.

Implications for 1981 Act for Peanuts

A review has been made of the provisions of the Agriculture and Food Act of 1981 as related to peanuts. It considers the policy implications of continually declining market quotas.

Inquire about this review from Bill R. Miller, Department of Agricultural Economics, 208 Conner Hall, University of Georgia, Athens, GA 30602, and see a related paper published in the Journal of Agribusiness, Volume 1, No. 1, February 1983 (available with a charge of $5.00 from Department of Agricultural Economics, Georgia Experiment Station, Experiment, GA 30212).

Causes and Effects in The World Sugar Market

This is a study of the effects of shifts in supply on the world sugar market. World production shortfalls and increased speculative activity have been suggested as major causes of recent, dramatic price increases for sugar. A two-region spatial equilibrium model analyzes the U.S. and the rest-of-the-world sugar market equilibrium. High sugar price levels can be explained largely by reduced supplies on the world market.

Inquire about this study from John Yanagida, Department of Agricultural Economics, University of Nevada, Reno, NV 89557, and request a related paper, "The Effects of Shifts in Supply on the World Sugar Market," January 1982, from Michael Hammig, Clemson University, Department of Agricultural Economics, Clemson, SC 29631.

Sweetener Markets and Policies-- The 80's

A research project on the Sweetener Industry was undertaken by Schnittker Associates for the Sugar Users Group. It focused on the supply-demand and policy environments, cost of production, low-calorie sweeteners, the structure of sweetener demand, determinants of U.S. sweetener policy, and policy alternatives. Extensive background data were generated on both the U.S. and world sweetener economies.

Inquire about this project from Thomas Earley, Schnittker Associates, 1339 Wisconsin Avenue, N.W., Washington, D.C. 20007, and request a related report, "Sweetener Markets and Policies--the 80's: An Analysis and Compendium of Facts," March 1983, by contacting Constance Broadstone, Sugar Users Group, 888 16th Street, N.W., Washington, D.C. 20006.

Family Farmers Coping with Crisis in Southwestern Minnesota

This study was the result of a survey of 440 farmers in the three counties of Lyon, Lincoln and Redwood, concerning their economic conditions for 1981 and 1982. It includes information concerning farmers' attempts to cope with the current economic situation. General recommendations for policy are included.

Inquire about this study and request a copy of a related paper "Economic Status of Family Farms in Southwestern Minnesota 1981-83: A Farmer Perspective," April 1983, from Lester Schmid, Southwest State University, Marshall, MN 56258.

Alternative Energy Sources for Agricultural Production

This research focuses on the policy issues around selected agricultural energy sources. Its objectives are: to determine and assess available technology for on-farm production of alcohol fuel and vegetable oil for fuel, and to determine the

THE FOOD STAMP PROGRAM: A CURRENT APPRAISAL

by Sylvia Lane*

A brief overview of the impacts of the Food Stamp Program seems particularly appropriate because recent program changes restrict eligibility and reduce benefits to some households. The main program impact is the additional purchasing power afforded participants. Others affected by the program include: the entire food industry; other industries interacting with the food industry; and those associated with the food workfare program.

Program Coverage

Food stamps valued at $10.853 billion, or 1.7 percent of total Federal outlays were issued in the fiscal year beginning October 1, 1981, and ending September 30, 1982 (U.S. Congress, September 1982, p. 35). This compares with $11.243 billion in the previous fiscal year. Puerto Rico, however, was no longer included in the figures for July, August, and September 1982 since the program in that territory was replaced by a "block grant." Participation in the program for fiscal year 1982 averaged 21.7 million persons compared with 22.4 million in FY 1981. Food stamp participation increased by about 1.3 percent between FY 1981 and FY 1982, after adjusting for Puerto Rico's transfer (USDA, FNS, 1982, p. 4). The same people do not participate in the Food Stamp Program month after month. Because there is more than a 50-percent annual turnover rate in the Food Stamp Program (U.S. Congress, March 1982, p. 156), the number of different persons participating in the program during FY 1982 was over 32 million or almost 14 percent of the U.S. population.

Impact on the Economy

Nelson and Perrin's estimates (1978) for the effects of the Food Stamp Program on the U.S. economy show the effects to be small but significant. Under their assumptions, the Food Stamp Program without a purchase requirement contributed about $306.49 million (.002 percent) to the gross national product in 1976, and resulted in a change of $544.4 million in total business receipts. The estimated net additional food purchases from both the purchase and bonus stamps issued in 1976 was less than 2 percent of the $145.939 billion in food store sales and an even lower percentage of the $180.9 billion of consumer expenditures for U.S.-produced food (U.S. Department of Commerce, pp. 43 and 61).

*Professor Emeritus of Agricultural Economics, University of California, Davis and Economist on the Giannini Foundation and in the Department of Agricultural and Resource Economics, University of California, Berkeley.

Price effects were not considered in the Nelson and Perrin study. Retail food prices would have increased slightly, other factors being equal, because of the increase in demand induced by the stamps. Schrimper estimated each 10-percent increase in participants' demand for food would result in an .08 to 4.0 percent increase in food prices, depending on the price elasticity of the retail demand for food and the share of the total food market accounted for by program participants. A generous estimate of the increase in lowincome households' food purchases due to the program would appear to be 10 percent (USDA, 1981 Handbook Chart 157). Higher retail food prices may have, through their effect on factor supply prices, reduced exports and increased wages. Nelson also studied the structural impact of the program on the food retailing sector and found smaller stores benefitted proportionately more from the program than larger stores in terms of absolute dollars (Nelson, 1976).

Effect on the Farm Sector

Based on the estimated 40 percent of bonus food stamps being spent on additional food (Nelson and Perrin, 1976; Stucker; Schrimper) the Food Stamp Program added $4.36 billion to retail food purchases of lower income households in fiscal 1982. To calculate the net increase in retail food expenditures, one had to subtract about $1 billion (based on the method used by Nelson and Perrin, 1978) of reduced food expenitures by higher income households sine they were taxed to pay for the program. The farmer's share of retail food expenditures may be liberally estimated at 40 percent (Boehm and Belongia). Therefore, the addition to gross farm income in FY 1982 as a result of the Food Stamp Progam was approximately $1.6 billion, or about 1 percent of total farm cash receipts for that year.

Differential effects on particular farm commodity sectors or sectors of food industry could be quite significant. West found Food Stamp Program participants, when compared to nonparticipants, purchase larger proportions of pork and poultry but relatively less beef in the meats and poultry food group; more fresh whole milk but less cheese among dairy products; and more cereals but less bakery products among the cereal and bakery products food groups.

Impact on Hunger

From its very beginning, the Food Stamp Program has had the implied purpose of providing food for the hungry. Rates of infant mortality and income levels were cited as correlates of hunger in a study entitled Hunger U.S.A. published by the Citizens Board of Inquirty into Hunger and Malnutrition in the United States in 1968 (p. 33). Domestic food assistance programs, by 1981, included the Food Stamp Program, five child nutrition programs, four food distribution programs, and the women, infants and children's program (WIC). Federal expenditures for each program and expenditures as a percentage of total USDA payments for all food and nutrition programs appear in Table 1. The Food Stamp Program represented the largest share of Federal expenditures for food and nutrition programs and it apparently was reaching persons in countries where the most hunger existed.

Table 1--Federal expenditures for USDA food and nutrition programs, 1981

Program	1981	Percent
	Mil. dol.	
Food stamps issued:		
Bonus stamps	10,968	69.0
Child nutrition:		
School lunch	2,286	14.4
School breakfast	331	2.0
Special food[1]	400	2.5
Special milk	73	.5
Food distribution:		
Schools	825	5.2
Needy families	33	.2
Other[2]	108	.7
Women, infants and children[3]	869	5.5
Total	15,892	100.0

[1] Includes Child-Care and Summer Food Service Programs.
[2] Includes Supplemental Food, Nutrition Program for the Elderly and donations to charitable institutions.
[3] Special Supplemental Food Program for Women, Infants, and Children (WIC) was started in January 1974.

Source: National Food Review, February 1983, p. 22

Boehm, Nelson, and Longen in 1980 reported "Progress has been made in providing food for poor people in the United States. Persons residing in counties with the highest rates of infant mortality received an average of $123.33 in Federal food assistance during 1976, up from $12.83 in 1967. In the Nation's lowest income counties, the assistance rose from $21.98 to $153.91." A further tightening of eligibility requirements in 1977 and 1981, however, lessen the impact of the program upon hunger.

Impact on Poverty

Calculations based on Smeeding's estimates indicate the Food Stamp Program reduces the number of poor, when poverty is measured on the basis of money income alone, by about 1.7 percent. But the program's impact is greater in the case of the elderly since a greater percentage of this group is poor compared to adults in other life cycle stages (Weimer). Of the families where the householder was 65 and over, 59.9 percent were below the poverty level in 1976 before they received any

transfer payments. The percentage was 16.7 after cash transfer payments and 6.1 percent after in-kind transfers. Food stamps were 3.2 percent of in-kind transfers to this group. (Medicare and Medicaid make up almost 95 percent of in-kind transfers to the aged (U.S. Bureau of the Census, 1980, p. 334).

The Food Stamp Progam provides public assistance to persons not qualified for aid under the other nationwide public assistance programs that assist the aged poor, low-income, mothers with dependent children, and the disabled. State programs for general assistance to the poor are highly variable (Senauer, p. 1013). The major groups not covered by other programs but eligible for food stamps are the unemployed who are temporarily poor and some of the working poor.

In 1979, 37.4 percent of the households below the poverty level received food stamps. Comparable percentages of households below the poverty level receiving food stamps were 56.7 for Black households; 53.5 for households whose members were of Spanish origin; and 65.9 percent for household headed by females with no spouse present. These households belong to groups with the highest percentage of poverty in the United States. Martin and Lane found outlays per capita under the program are greater where there are higher percentages of poor people, higher percentages of people receiving public assistance, or higher percentages of unemployed people.

However, where there are higher percentages of Black or Indian people, outlays per person and outlays per poor person are lower. These differences found for the latter two groups are due to the fact that they probably include a relatively larger number of small households receiving food stamps. Outlays tend to increase with poverty (p. 1011).

Food Stamp Program benefits received per household averaged $121 per month in October 1982 for the average size household of 2.8 persons, supplementing but very rarely providing as much as 30 percent of household incomes of the poor and near poor (USDA, FNS, 1983, p. 5).

Related to its impact on poverty is the program's impact on future human capital through the children of participant households. Senauer reports 60 percent of food stamp recipient households had at least one child (age 17 or less) in August 1980. Furthermore, households with children received 79.5 percent of total program benefits.

Impact on Nutrition

Davis, from an analysis of 18 studies on food expenditure, nutrition status and socioeconomic linkages concluded:

> "The empirical literature strongly supported the notion that the income position of households is a major factor determining food expenditures. To the extent that food assistance programs such as

the Food Stamp Program enhance the income position of low-income households, food expenditure outlays are increased. There is some question, however, regarding any direct linkage between the food expenditure-income impact and improved nutritional status" (p. 1023).

Nonetheless, his previous study with Neenen indicated bonus food stamp income was positively and statistically significantly related to improved nutritional status but more so when combined with nutrition education (p. 1020). In his review of the literature he found: bonus stamps impacted positively and significantly on nutritional status according to three of the studies; one study reported a nonsignificant impact on bonus food stamp income on nutritional status; and another (based on bio-chemical measurements which tend to reflect effects after periods of some length) a negative impact (p. 1021).

From his analysis, it becomes apparent that both income and knowledge concerning nutrition are necessary if low-income groups are to have improved nutritional status.

Summary and Conclusions

It appears any large scale curtailment of the Food Stamp Program will have important measurable impacts on food producers and distributors, at least in the short run. If the program had been eliminated, the approximately $3.36 billion that would have been lost in retail food purchases in 1982 would not be equally distributed among producers or retailers and the bulk of the reduction would be felt by smaller retailers in poorer areas. A marginal 1 percent loss (about $1.6 billion) in total farm receipts may also be significant.

The program reduces poverty by about 1.7 perceent and is about 1.7 percent of Federal outlays. Food stamp benefits averaged $121 a month in October 1982, not enough in themselves to lift many households out of poverty. But they are targeted to reach the poor and, unlike other public assistance programs, do reach poor, intact families with unemployed heads. They also reach disadvantaged minorities, the elderly households, households headed by women and particularly poor households with children. They do not reach all who are eligible. At most, perhaps, 68 percent of those who are eligible to participate do so and participants are self-selected.

Although not entirely definitive, the preponderance of the evidence indicates the program contributes to improved nutritional status among low-income people. For some it is an income supplement, and increased income according to most of the available studies is correlated with better nutrition. Combined with nutrition education it has made for improved nutritional status among lower-income groups.

Evidence also indicates the program is cost effective. Federal administrative and other costs are less than 7 percent of benefits. Costs at all levels of government have been estimated to be about 10 percent. Still, a comprehensive cost benefit analysis of the Food Stamp Program is required if we are to

have a better understanding of its many impacts. This is particularly important before stamps are further "cashed out," i.e., cash is provided program beneficiaries instead of stamps as proposed in the welfare reform package in 1977. Approximately 35,000 elderly or disabled households who also receive supplemental security income benefits are currently in a demonstration project to test the effects of providing cash rather than food stamps.

References

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AGRICULTURE-FOOD POLICY DECISIONS UPDATE

by Richard W. Rizzi*

Table 1--Commodity Program Levels

Commodty	1980	1981	1982	1983
Wheat				
Target price ($ per bu.)	1/3.63	3.81	2/4.05	2/4.30
Loan level ($ per bu.)	3.00	3.20	2/3.55	2/3.65
Reserve loan level ($ per bu.)	3.30	3.50	4.00	2/3.65
Reserve release level ($ per bu.)	3/4.20	3/4/4.48	4.65	N.R.
Reserve call level	5/5.25	5/6/5.60	--	--
Acreage reduction (percent)	--	--	15	15
Paid land diversion (percent)	--	--	--	5
Payment-in-kind (percent)	--	--	--	7/10-30
National program acreage (mil. acres)	75.0	84.5	8/	8/
Corn				
Target price ($ per bu.)	1/2.35	2.40	2/2.70	2/2.86
Loan level ($ per bu.)	2.25	2.40	2/2.55	2/2.65
Reserve loan level ($ per bu.)	2.40	2.55	2.90	2/2.65
Reserve release level ($ per bu.)	2.81	9/3.00	3.25	N.R.
Reserve call level ($ per bu.)	10/3.26	6/10/3.48	--	--
Acreage reduction (percent) 11/	--	--	10	10
Paid land diversion (percent) 11/	--	--	--	10
Payment-in-kind (percent)	--	--	--	7/10-30
National program acreage (mil. acres)	83.5	80.5	8/	8/
Grain Sorghum				
Target price ($ per bu.)	1/2.50	2.55	2.60	2.72
Loan level ($ per bu.)	2.14	2.28	2.42	2.52
Reserve loan level ($ per bu.)	2.28	2.42	2.75	2/2.52
Reserve release level ($ per bu.)	2.68	9/2.85	3.10	N.R.
Reserve call level ($ per bu.)	3.10	6/3.31	--	--
Acreage reduction (percent) 11/	--	--	10	10
Paid land diversion (percent) 11/	--	--	--	10
Payment-in-kind (percent)	--	--	—	7/10-30
National program acreage (mil. acres)	14.7	14.3	8/	8/

Continued--

*Richard W. Rizzi is an economist in the Food and Agricultural Policy Branch, NED, ERS

Table 1--Commodity Program Levels--Continued

Commodity	1980	1981	1982	1983
Barley				
Target price ($ per bu.)	1/2.55	2.60	2.60	2.60
Loan level ($ per bu.)	1.83	1.95	2.08	2.16
Reserve loan level ($ per bu.)	1.95	2.07	2.37	2/2.16
Reserve release level ($ per bu.)	2.29	9/2.44	2.65	N.R.
Reserve call level ($ per bu.)	2.65	6/2.83	--	--
Acreage reduction (percent) 11/	--	--	10	10
Paid land diversion (percent) 11/	--	--	--	10
National program acreage (mil. acres)	8.4	10.2	8/	8/
Oats				
Target price ($ per bu.)	--	--	1.50	1.60
Loan level ($ per bu.)	1.16	1.24	1.31	1.36
Reserve loan level ($ per bu.)	1.23	1.31	1.49	2/1.36
Reserve release level ($ per bu.)	1.45	1.55	1.65	N.R.
Reserve call level ($ per bu.)	1.68	6/1.80	--	--
Acreage reduction (percent) 11/	--	--	10	10
Paid land diversion (percent) 11/	--	--	--	10
Rye				
Loan level ($ per bu.)	1.91	2.04	2.17	2.25
Soybeans				
Loan level ($ per bu.)	5.02	5.02	5.02	N.R.
Upland Cotton				
Target price (cents per lb.)	58.4	70.87	2/71.00	2/76.00
Loan level (cents per lb.) 12/	48.0	52.46	57.08	2/55.00
Acreage reduction (percent)	--	--	15	20
Paid land diversion (percent)	--	--	--	5
Payment-in-kind (percent)	--	--	--	7/10-30
National program acreage (mil. acres)	11.7	12.8	8/	8/
Extra Long Staple (ELS) Cotton				
Loan level (cents per lb.) 2/	93.5	99.0	99.89	96.25
National marketing quota (1,000 bales)	161	195	157	102
National acreage allotment (1,000 acres)	131.7	150.2	120.2	80.1
Rice				
Target price ($ per cwt)	12/9.49	12/10.68	2/10.85	2/11.40
Loan level ($ per cwt) 12/	7.12	8.01	8.14	8.14
Acreage reduction (percent)	--	--	15	15
Paid land diversion (percent)	--	--	--	5
Payment-in-kind (percent)	--	--	--	7/10-30
National allotment (mil. acres) 2/	1.8	1.8	--	--

Continued--

Table 1--Commodity Program Levels--Continued

Commodity	1980	1981	1982	1983
Flue-cured Tobacco				
Loan level (cents per lb.) 12/	141.5	158.7	169.9	N.R.
Effective marketing quota (mil. lbs.)	1,186	1,112	979	892
Effective national allotment (1,000 acres)	640	546	546	458
Burley Tobacco				
Loan level (cents per lb.) 12/	149.9	163.6	175.1	N.R.
Effective marketing quota (mil. lbs.)	769	869	789	677
Peanuts				
Loan level, quota peanuts ($ per ton) 2/	455	455	550	550
Loan level, non-quota peanuts ($ per ton)	250	250	200	185
Marketing/poundage quota (1,000 tons) 2/	1,596	1,440	13/1,200	13/1,167
Acreage allotment (1,000 acres)	2/1,614	1,734	--	--
Wool				
Support level (cents per lb.)12/	123	135	137	153
Mohair				
Support level (cents per lb.)12/	290.3	371.8	397.7	462.7
Sugar				
Loan level for raw cane (cents per lb.)	--	--	2/17.00	N.R.
Loan level for refined beet (cents per lb.)	--	--	20.15	N.R.
Honey				
Loan level (cents per lb.)	50.3	57.4	60.4	62.2

N.R. = not released.

1/ Under the Agricultural Adjustment Act of 1980, producers who did not stay within their "normal crop acreage" received lower target prices: $3.08 for wheat, $2.05 for corn, $2.45 for sorghum, and $2.29 for barley.

2/ Minimum allowed by law.

3/ The release level for wheat is 140 percent of the loan level. Farmers with contracts specifying 150 percent of the loan level, per the January 1980 announcement, may have used a release level of $4.50 per bushel for wheat in 1980 and may have used a level of $4.80 in 1981, or converted their contracts to the 140 percent provision.

4/ The release level for wheat entered into the reserve after July 23, 1981, was set at $4.65 per bushel.

Footnotes continued--

Footnotes--continued

5/ The call level for wheat is 175 percent of the loan level. Farmers with contracts specifying 185 percent of the loan level, per the January 1980 announcement, may have used a call level of $5.55 per bushel for wheat in 1980 and may have used a level of $5.92 in 1981, or converted their contracts to the 175 percent provision.
6/ On July 24, 1981, the Secretary stated the call level trigger would be used only under an "extreme emergency." This effectively negated call level provisions.
7/ Producers could choose any level of participation from 10 to 30 percent, inclusive. Producers also had the option of submitting bids to remove their entire crop-specific acreage base from production.
8/ Not necessary when an acreage reduction program is in effect.
9/ Feed grains entered into the reserve after October 6, 1981, had the following release levels: corn--$3.15 per bushel; barley--$2.55 per bushel; and sorghum--$3.00 per bushel.
10/ The call level for corn is 145 percent of the loan level. Farmers with contracts specifying 140 percent of the loan level, as per the pre-January 1980 announcement, may have used a call level of $3.15 per bushel of corn in 1980 and may have used a level of $3.36 in 1981 or converted their contracts to the 145 percent provision.
11/ There are two established bases for the 1982 and 1983 acreage reduction programs for feed grains: one for corn and sorghum; the other for barley and oats.
12/ Determined by statutory formula.
13/ The marketing quota was suspended by the 1981 farm bill, but the poundage quota was retained.

POLICY THROUGH ADMINISTRATION

Grain and Cotton Programs

Payment-in-Kind.--On January 11, 1983, the Department established the Payment-in-Kind (PIK) program to encourage reductions in the 1983 production of wheat, corn, grain sorghum, rice, and upland cotton. The PIK program is similar to paid land diversion, but instead of being paid in cash to remove land from production, participants will be paid in the actual commodity they remove. For example, participating farmers with rice acreage bases will be paid in rice.

Farmers holding acreage bases in the designated crops were able to sign up for PIK from January 24 through March 11. However, to be eligible to participate in PIK, farmers also have to participate in the 1983 acreage-reduction and paid land diversion programs (see table 2). (The sign-up deadline for the acreage reduction programs was advanced from March 31 to March 11.) Unlike the acreage reduction and paid land diversion programs, producers do not have to participate in PIK to be eligible for loans, payments, and the farmer-owned reserve program.

Producers were given two ways to participate in PIK. First, they could sign up to remove an additional 10 to 30 percent of their acreage base from production. As compensation, producers will receive in-kind payments on their PIK acres equal to a percentage of their farm program yield--95 percent for wheat and 80 percent for the other commodities. For example, corn producers who sign up and comply with this option will divide their acreage bases into 10 percent acreage reduction, 10 percent paid diversion, and, if they sign up for the full PIK percentage, 30 percent PIK, with the remaining 50 percent of their base eligible for production. The PIK payment for these producers would be in corn equal to 80 percent of their farm-program yield times the number of PIK acres.

Under the second option, producers could have submitted a sealed bid to remove their entire base from production. The bid was based on the percentage of yield the producer needed to take such action, with no bids over 95 percent for wheat and 80 percent for the other commodities acceptable. In addition, the Department stated that no more than 50 percent of the acreage planted to a specific PIK commodity in any one county would be taken out of production through the production control programs. On March 16, the percentage was lowered to 45, except where this limit had been exceeded only through the 10-30 percent option. Also, the Department announced no whole base bids for rice would be accepted.

Farmers could sign up for either or both options. The whole base bids were opened on March 18 by county Agricultural Stabilization and Conservation Service (ASCS) committees and accepted in order, starting with the lowest, until 45 percent of the acreage base for the PIK commodities was obtained. Producers whose bids were accepted will take their entire base out of production and receive PIK compensation. For example, corn producers will receive diversion payments on 10 percent of their base and PIK payments, set at the percentage of yield the farmer bid, on the remaining 90 percent. Producers who enrolled in the PIK program and then do not comply with program requirements will not receive PIK payments and will be assessed liquidated damages (see table 2; see table 3 for enrollment figures).

Producers will not be able to take title to PIK payments until the beginning of their normal harvest season (which varies from area to area) for each commodity. Once producers take title to PIK commodities, they may use them as they please, except in government programs. Producers entering PIK with outstanding reserve or regular price support loans were required to make the loan available for PIK payment. The Commodity Credit Corporation (CCC) will only liquidate that portion of the producer's loan needed to satisfy the producer's PIK payments. No priority was established for liquidating grain loans, but upland cotton producers had to offer their oldest cotton loans first. Producers will not have to pay accumulated interest on liquidated loans. If a loan was due to mature prior to the PIK availability date, it will be extended with CCC paying for the storage.

Table 2--Major Provisions of the 1983 Acreage Reduction Programs

Program features	Commodity					
	Wheat	Corn	Grain sorghum	Barley & oats	Upland cotton	Rice
Acreage reduction program						
--Pct. of base to be idled	15	10	10	10	20	15
Paid land diversion program						
--Pct. of base to be idled	5	10	10	10	1/	5
Payment-in-kind program (PIK)						
--Pct. of base to be idled	10-30	10-30	10-30	NA	10-30	10-30
--PIK payment rate 10-30 option	95	80	80	NA	80	80
	----- $ per bushel -----				$ per pound	
Annualized storage payment rate for PIK commodities	0.265	0.265	0.265	NA	2/	0.0085
Liquidated damages for withdrawing from PIK	0.86	0.572	0.544	NA	0.152	0.0028

NA = not applicable.

1/ Cotton producers have the option to place up to 5 percent of their base acreage under a paid diversion program. Participation in the diversion program is not required for program benefits.

2/ The storage payment rate for cotton producers will be the approved rate charged by the warehouse where the cotton is stored.

Producers who do not hold CCC loans or do not have enough of the commodity under loan will receive PIK payments from CCC stocks. However, due to the size of the enrollment the Department, on March 24, announced that CCC would have to acquire additional stocks of corn, sorghum, and wheat. To accomplish this goal, the Department offered to purchase grain held in CCC loan programs from April 4 to April 15. The purchase price was the amount needed to liquidate the loan. The Department also accepted bids from farmers who wanted additional compensation to sell loan grain to CCC. For example, a farmer with 1,000 bushels of corn under loan may have decided 10 percent compensation was needed. If the bid was accepted, the loan on the full 1,000 bushels would be liquidated, but the farmer would turn over to CCC only 900 bushels. Producers

did not have to be enrolled in PIK to participate in this offer, but grain already earmarked for PIK payments or placed into the reserve after January 11 was not eligible. (A similar program to obtain upland cotton from producers was announced on May 11. Bids from farmers needing additional compensation will be accepted from May 15 through May 26.)

Table 3--1983 Production Control Enrollment Figures

Commodity	Total base	Acreage/ reduction paid diversion only	10-30 PIK option	Whole base PIK option	Conser- vation use acreage
			Million acres		
Wheat	90.9	31.9	38.6	7.9	32.3
Corn/sorghum	101.2	19.5	45.4	14.0	39.8
Barley/oats	19.6	11.7	NA	NA	2.3
Rice	4.0	.4	3.5	NA	1.8
Upland cotton	15.4	2.7	10.9	.9	6.8

NA = not applicable.

(On April 22, the Department announced it had acquired 735 million bushels of corn (out of 1 billion bushels offered), 145 million bushels of sorghum (out of 205 million bushels offered), and 210 million bushels of wheat (out of 340 million bushels offered) to meet PIK needs. All compensation bids of 20 percent or less were accepted. For 1981 and older crops of wheat, bids between 20 and 25 percent were also accepted. Although the Department acquired enough corn and sorghum to meet its PIK payment needs through this bid program, an insufficient amount of wheat was acquired. Therefore, some wheat producers, who have either no wheat or not enough wheat under loan to meet their PIK payments, will have to obtain CCC regular loans on their 1983 crop and have such loans immediately liquidated to satisfy their PIK payment.

The Department requested wheat producers who wanted to receive PIK payments out of their 1983 crop to make an offer to ASCS by May 27. Producers in counties with PIK entitlement dates occurring during the first 2 weeks of June had to make such offers by May 19. No offers were accepted from producers who assigned their PIK payments to warehousemen by May 1.)

Producers will be eligible to receive up to 5 months of storage payments from the time their PIK payments become available (see table 2). The actual storage rate will be determined by

when the producer takes title to PIK commodities. For example, if a producer takes title 2 months after the availability date, only 2 months of storage will be paid. Producers receiving PIK grain from the farmer-owned reserve will receive an additional 7 months' storage, less any unearned reserve storage, regardless of when they take title to the grain.

Acreage removed from production will have to be devoted to approved conservation uses (CUA) (see the following section on the rice program). Such acreage must be protected from erosion. Only those summer fallow acres that were to be planted will be eligible for CUA under the PIK program. No mechanical harvesting will be allowed, and no grazing will be permitted during the 6 principal growing months. However, winter wheat producers are allowed to graze or hay wheat acreage planted before January 12 as long as it is destroyed by a date designated by the county ASCS committee. In addition, on April 20 the Department announced that cattle producers in Iowa could transfer their livestock to CUA land if that land was the only area available to free cattle from hazardous conditions. Cattle producers wishing to take such action had to receive permission from their local ASCS office. The land could be used for a 2-week period that did not extend beyond May 1. This action was taken after adverse weather conditions had greatly increased the death rate for cows and calves.

Finally, the Federal Crop Insurance Corporation increased yield guarantees, without raising premium rates, of insured producers participating in PIK. Producers removing 10 percent, but less than 20 percent, of their acreage from production through PIK will have their yield guarantee raised 6 percent; participating by at least 20 percent, but less than 30 percent raises the yield guarantee 8 percent; and 30 percent participation increases the yield guarantee 10 percent. (See Policy Through Legislation for a change in the tax law affecting PIK.)

1983 Rice Program.--On January 4, the Department established a 1983 rice program which included 15 percent acreage reduction and 5 percent paid land diversion (see table 2). Producers must participate in both the acreage reduction and paid land diversion to be eligible for loans, payments, and PIK. The 1983 rice acreage base for each farm will be the same as that for 1982, with adjustments for crop rotation to control red rice. There will be no cross compliance or offsetting compliance requirements.

The acreage taken out of production must be devoted to CUA. Land eligible for CUA must have been devoted to row crops or small grains in 2 of the last 3 years. Land designated for CUA under the 1982 rice program, and on which permanent conservation practices were employed, will be regarded as having been cropped. If the permanent practice is maintained, the acreage can be designated CUA through the 1985 crop year. Grazing will be allowed outside of the 6 principal growing months, but no haying will be permitted.

Producers were eligible to receive half of their diversion and deficiency payments in advance. The 1983 diversion payment rate is $2.70 per cwt (advance equal to $1.35/cwt) and the projected deficiency payment rate is $3.26 per cwt (advance equal to $1.63/cwt). Producers who received an advance and then do not comply with program provisions will have to refund the advance and pay an interest charge equal to 5 percentage points above the interest rate for crop loans at the time the advance was made.

On January 25, the Department issued 1983-crop rice loan and purchase rates by class. The rate for long grain rice is $14.96 per cwt, up from $14.75 in 1982, and the rate for medium and short grain rice is $12.21 per cwt, down from $12.75 in 1982. The rate for all classes of broken rice is $6.20 per cwt, up from $5.00 in 1982. The differential between long grain and the medium/short grain rates increased by 75 cents per cwt due to changes in stocks and demand. The premium for U.S. No. 1 rice was eliminated, while the discounts for grades U.S. No. 2 through 6 were increased to reflect actual market conditions. Discounts for location increased to reflect current transportation costs.

Deficiency Payments.--Eligible producers received deficiency payments on 1982 crops of wheat, barley, corn, grain sorghum, upland cotton, and rice. Deficiency payments were made because the average market price received by farmers during the first 5 months of the marketing year--June through October for wheat and barley, October through February for corn and sorghum, August through December for rice--and the 1982 calendar year for cotton were below established target prices. Wheat producers received 50 cents per bushel--approximately $475 million; barley producers, 40 cents per bushel--approximately $60 million; corn producers, 15 cents per bushel--approximately $290 million; sorghum producers, 18 cents per bushel--approximately $64 million; upland cotton producers, 13.92 cents per pound--approximately $550 million; and rice producers, $2.71 per cwt--approximately $250 million. Oat producers were not eligible for deficiency payments because the June through October national weighted average price was $1.50, the same level as the target price. Producers must have participated in 1982 acreage reduction programs to be eligible for deficiency payments.

Inspection Fees.--The fees for official rice inspections increased on January 1 by an average of 18 percent. Included were new rates for contract inspection services of $25.60 per hour, up from $21.60, for work performed daytime, weekday hours; $30.80 per hour, up from $26.00, for work performed nights and weekends; and $36.20 per hour, up from $30.60 for holiday service. The new non-contract hourly inspection rates are $34.00 for daytime, weekday services, up from $28.80; $39.00 for nights and weekends, up from $33.00; and $44.40 for holidays, up from $37.60.

The Department also changed some official grain inspection and weighing fees on January 1. Included were reduction of fees

for supervision of truck inspection--75 cents per truck, rather than $1.00--and protein reinspection--25 cents, rather than 75 cents. Hourly fees for original inspections under contract in the U.S. increased to $21.80, up from $18.60, on regular workdays and to $25.20, up from $22.00 for all other days. In Canada, the same fees increased to $26.80, up from $24.40, and $31.20, up from $28.40, respectively. Hourly fees for official weighing services under contract in the U.S. increased to $21.80, up from $20.60, for regular workdays, while the same fee in Canada increased to $26.80, up from $24.40. Fees are now assessed to cover travel costs when special services, reinspection, or appeal inspections are performed more than 20 miles from assigned duty locations or field offices.

Loan Program Changes.--On November 17, the Department began allowing farmers to receive price support loans on grain and soybeans substituted for crops produced on their farm, if the farmer participated in acreage reduction programs. This change allows such producers to obtain loans without having to transport their grain to elevators that will accept the grain for storage. However, farmers must obtain approval to take such action before they sell or use the grain they produced. Warehouse receipts will be used by ASCS as security and must be submitted to the county ASCS office within 15 days after producers sell or trade their own grain. Previously, only grain grown on the producer's farm was eligible for support.

On January 11, the Department announced there would be no early entry into the farmer-owned reserve for 1983 crops. Entry will only be allowed after a 9-month regular loan matures.

Crop Insurance.--On November 22, the Federal Crop Insurance Corporation (FCIC) extended its coverage area for the 1983 crop. Included are 384 additional county programs for oats, 285 for soybeans, 70 for tobacco, 44 for potatoes, 33 for peanuts, 4 for peaches, and 3 for grapes. (A county program is the authority to sell crop insurance for one crop in one county.)

On January 19, the Department announced that training would be provided by April 14 for contracted crop insurance adjusters. FCIC employees do not adjust crop loss claims, instead FCIC contracts with private adjusters to perform this function.

FCIC will not employ an adjuster to perform unsupervised field inspections unless training has been completed. In addition, all FCIC administrative and supervisory personnel to attended the training. This action was taken to reduce error rates and the time needed to handle claims.

Farmers were given additional time to file for individual yield certification for crop insurance purposes on April 8. The new deadline for certification was set to coincide with the date acreage reports are due--from 10 to 20 days after the final planting date for the crop. In addition, March 31 sales closing dates were extended to April 15 and April 15 sales

closing dates were extended to April 30. These actions were taken because of the increased work load PIK created in Departmental offices.

On April 25, the Department announced that, instead of using random spot checks of producers, acreage and planting dates on a majority of farms insured by FCIC will be varified by personal visits. This action was taken to reduce the incidence of indemnities paid on crops not planted in agreement with the rules and to make sure that claims are paid in compliance with contract provisions.

Oilseeds and Tobacco

Soybeans Loan Extension.--Soybean producers were granted the option of extending their 1981-crop loans that were to mature at the end of January or later for an additional 6 months on February 3. Producers extending such loans will be subject to the interest rate applicable to CCC commodity loans during January 1983 (see Finance).

Peanut Support Levels.--The loan and purchase level for 1983 crop quota peanuts was set at $550 per short ton on February 28. The support price remained at the minimum level because estimated peanut production costs declined in 1982, thereby not necessitating an increase under current law. The support level for 1983-crop additional peanuts was set at $185 per short ton.

CCC's 1983 export sales policy provides that the minimum sales price for additional peanuts placed under loan and then sold by CCC for export edible use will not be less than $400 per ton. Loan collateral 1982-crop quota peanuts, sold for export edible use, will have a sales price of at least the quota support, plus costs. All 1982-crop loan collateral peanuts sold for export crushing, will have a sales price of the applicable support level, plus costs, and must be fragmented prior to export. Finally, all 1982-crop loan peanuts sold for domestic crushing will be sold at competitive prices.

Peanut Poundage Quotas.--On February 28 the Department issued an interim rule which sets poundage quota and marketing regulations for the 1983 through 1985 crops of peanuts. Included are the procedures for reducing individual farm poundage quotas. For 1984 and 1985, quota reductions are to be made based on 4 separate categories: (1) Farms with inadequate tillable cropland to produce the poundage quota; (2) farms on which the quota was not fully produced in at least 2 of the last 3 years; (3) farms for which the quota is leased to another farm and produced by a different farm operator; and (4) all other farms with quotas not reduced to zero in the first 3 categories. These classifications set the order of priority county ASCS committees are to use to reduce farm poundage quotas to meet any reduction in the State poundage quota. For the 1983 crop, categories 3 and 4 are combined as they were for the 1982 crop.

Tobacco Support Levels.--The Department continued to adjust 1982-crop price support levels for certain types of tobacco.

On November 15, the support level for 1982-crop Virginia fire-cured tobacco, type 21, was lowered from $1.23 to $1.188 per pound, with the loan rates by grade ranging from 65 cents to $1.89 per pound. The tobacco marketing association will deduct 4 cents per pound from advances paid to producers to help cover overhead costs and producers must contribute 2 cents per pound on tobacco marketed to a "no net cost tobacco account." Tobacco graded N1L, N1D, N1GL, N2, W, No-G, U, or scrap is not eligible for loans. Only tobacco graded X5L, X5F, X5D, X5M 45, X5G, and X5G 45 will be supported in untied form, but if marketed in untied form the support rate will be 10 cents lower than the normal rate.

On November 17, the support level for dark air-cured tobacco, types 35-36, was lowered from $1.094 to $1.057 per pound, with the grade loan rates ranging from 38 cents to $1.73 per pound. In addition, the tobacco marketing association was given authority to deduct one cent per pound from the advances paid to producers to help cover overhead costs and producers were required to contribute one cent per pound on tobacco marketed to a "no net cost tobacco account." No loans are available to tobacco graded N2L, N2R, N2G, U, No-G, or scrap. Types 35 and 36 tobacco marked with special factor W or BH and type 35 tobacco marked BL had an advance loan rate 20 percent lower than the normal advance.

On December 21, the Department lowered the price support level on Connecticut Valley Broadleaf (type 51) and Connecticut Valley Havana Seed (type 52) from $1.255 to $1.212 per pound. In addition, the support level for Puerto Rican (type 46) was lowered from 94.1 to 90.9 cents per pound. The support level by grade now ranges from 55 cents to $1.55 per pound for type 51; from 55 cents to $1.51 for type 52; and from 27.0 to 98.5 cents per pound for type 46. Producers of types 51 and 52 also have to contribute 3 cents per pound of tobacco marketed to a "no net cost to tobacco account" and producer associations may deduct 3 cents per pound to cover overhead expenses.

The reductions in price support are a result of excessive supplies of the types of tobacco affected. The authority to make such reductions and require producer contributions to associations to cover overhead costs and to the no net cost tobacco accounts or funds is part of the No Net Cost Tobacco Act of 1982. The contributions to the no net cost programs will be collected by producer-owned associations that have loan agreements with CCC. If the money is held by the association it will be considered a "fund," while money held by CCC will be considered on "account." All associations may determine which system to use, except for the flue-cured association which must establish a fund. Starting with the 1983 crop of tobaccos, producers who market tobacco that is ineligible for price support, due to not agreeing to no-net cost contributions, will be penalized 75 percent of the previous year's average market price; the same rate as for tobacco marketed in excess of quotas.

Producers of 1982 Ohio filler types 42-44, New York/Pennsylvania type 53, and Wisconsin types 54-55 had to contribute 2 cents per pound of tobacco marketed to a no net cost tobacco fund or account. Their marketing associations could deduct an additional 2 cents per pound from advances to help cover overhead costs. Producers of 1982 Kentucky-Tennessee fire-cured tobacco, types 22-23, and Virginia sun-cured, type 37, had to contribute one cent per pound of tobacco marketed to a no net cost tobacco account. Marketing associations could deduct one cent per pound for types 22 and 23 and 4 cents per pound for type 37 tobacco from advances paid to producers to cover overhead costs.

Finally, producers of 1983 flue-cured tobacco must agree to contribute 7 cents per pound of tobacco marketed to a no net cost tobacco fund. The 1983 contribution is 4 cents per pound larger than the level for 1982 because that contribution was not large enough to cover expected losses from the 1982 crop. Part of the 1983 contribution will be used to help offset the 1982 crop losses. In addition, starting with the 1983 crop, owners of flue-cured tobacco farms who lease or transfer any portion of a marketing quota must contribute to the fund an amount equal to the producer's contribution on the pounds transferred.

Tobacco Marketing Quotas and Acreage Allotments.--The national marketing quota for 1983 flue-cured tobacco is 910 million pounds, 10 percent below the 1982 quota. However, the Department estimated that overmarketings of farm quotas in previous years exceeded undermarketings by 18 million pounds, thereby setting the 1983 effective marketing quota at 892 million pounds. The quota was reduced because supplies exceeded the reserve supply level (the quantity considered adequate to meet estimated domestic and export needs) by 585 million pounds. The national acreage allotment for 1983 crop flue-cured tobacco was set at 457,516 acres, 16.3 percent below the 1982 allotment. This reduction was caused by a change in the national average yield goal from 1,854 to 1,989 pounds per acre as required by the No Net Cost Tobaccco Act of 1982. (The adjustment in yield goal will occur every 5 years, based on a national moving average.) On December 16, flue-cure tobacco producers gave approval to marketing quotas for the 1983 through 1985 crops. This action clears the way for continuation of the price support program, but also sets a penalty of 75 percent of the average market price for the previous year on any tobacco marketed in excess of 110 percent of a farm's quota.

The 1983 national marketing quota for burley tobacco is 647 million pounds, 5 percent lower than the 1982 level. However, when adjustments are made for over- and undermarketings the effective farm quota for 1983 is expected to be 677 million pounds, 13 percent below the 1982 level. In March, burley producers voted in favor of marketing quotas for the 1983 through 1985 crops; thereby implementing the same authorities for price supports and marketing penalties as for flue-cured tobacco.

Other 1983 acreage allotments are as follows:

Kind	1983	1982
Virginia fire-cured, type 21	9,342	9,430
Kentucky-Tennessee fire-cured, types 22-23	22,466	26,353
Kentucky-Tennessee dark air-cured, types 35-36	9,679	11,986
Virginia sun-cured, type 37	1,263	1,320
Cigar filler and binder, types 42-44, 53-55	12,879	15,194
Cigar binder, types 51-52	2,405	3,223

(The lower levels for Virginia tobacccos will only affect some tobacco producing farms on which recent acreage history shows less than 75 percent of the farm's allotment being used.)

In March, Virginia sun-cured producers approved of marketing quotas for the 1983 through 1985 crops of tobacco, thereby providing for price support protection and excess marketing penalties. In addition, producers of types 22-23 and 35-36 tobaccos were given the option of choosing restrictions on an acreage basis or a poundage basis. The majority voted against the poundage basis notion; therefore, acreage allotments, marketing quotas and price supports will remain in effect for the 1983 and 1984 crops. The 1983 marketing quotas were set at 39.9 million pounds for types 22-23 tobacco, 15 percent below the 1982 level, and 17.2 million pounds for types 35-36 tobacco, 20 percent below the 1982 level.

Finally, producers of Maryland (type 32) and cigar-filler (type 41) tobacco once again voted against marketing quotas. Therefore, producers will be able to grow unlimited quantities of these tobaccos in Maryland and other States where the allotment for quota tobacco is less than 20 acres, but they will not be eligible for price support.

Other Tobacco Action.--On November 30, the Department announced that foreign buyers would be able to purchase flue-cured tobacco that has been placed under CCC loan. This action was taken to help reduce any loan losses incurred by the program that must be borne by tobacco growers.

On December 15, the Department issued amendments to flue-cured tobacco program regulations. Included in the changes are provisions which end fall leasing of allotments and quotas, except in counties that have suffered at least a 10 percent loss of expected tobacco yields due to natural disaster. Allotments and quotas may now be sold, but only to persons who are or will become active tobacco producers within the same county. Producers who falsely identify flue-cured tobaccco will have the quantity of falsely identified tobacco considered as having been produced both on the farm for which it was identified as produced and on the farm where it was actually produced, for purposes of establishing future farm quotas.

Leins in favor of the U.S. will be placed on any flue-cured or burley tobacco on which a marketing quota penalty has been assessed or on any other tobacco subject to quotas in which the person liable for the penalty has an interest. In addition, if a claim for a marketing quota penalty has been filed by the Department against a person leasing or selling an allotment or quota, then the transaction will not be approved until the penalty is satisfied or the lease or sale proceeds are applied against the claim.

On January 14, the Department instituted an excessive poundage carryover program for 1982-crop burley tobacco. Under this program, producers have the option of making arrangements with the Burley Tobacco Growers Cooperative Association or the Burley Stabilization Corporation to process and store their excess tobacco. This tobacco will remain out of commercial trade and is not eligible for loans or penalty-free marketing until the start of the 1983 marketing year. Producers may also store unprocessed tobacco on their own farm, in warehouses, or in other commercial storage as long as the tobacco's identity is preserved (not mixed with tobacco from another farm). Unprocessed tobacco does risk insect infestation and quality deterioration. This action was taken because the excellent 1982 growing season led to a large level of overproduction.

Fruits and Vegetables

On January 10, the Department revised grade standards for orange juice. Two grades were retained for all orange juice products--U.S. Grade A and U.S. Grade B, but the descriptive terms U.S. Fancy and U.S. Choice were dropped. "Reduced acid frozen concentrated orange juice" was added to the list of juice products and will be treated separately with established grade requirements. Among other changes was the inclusion of simplified tables outlining grade requirements for all juice products.

The Department began allowing some dry bean producers in Minnesota and North Dakota to obtain FCIC coverage on acreage where it was previously denied due to rotation restrictions. The restriction had been applied to any dry bean acreage which had been planted to potatoes in either of 2 preceding crop years. The restriction was used in an attempt to reduce the possibility of "white mold", a dry bean problem, from spreading to potatoes. Recently, it was determined that there is not enough evidence to use this reason as the only basis to prevent the use of potatoes as a rotation crop.

On April 23, the Department revised regulations for inspection and certification of processed fruits, vegetables, and related products. Included in the changes is the replacement of the descriptive grade names, such as fancy, standard, and choice with letter grade designations of A, B, or C within the official grade and inspection marks. More flexibility was also given to the type of official marks used for USDA nutrition programs. In addition, a new billing procedure to collect fees from applicants located some distance from central grading facilities was implemented. Previously, licensed samplers were allowed

to collect fees directly from applicants. Under the new system, fees will be collected by a Federal or State authority. Finally, all review samples of products purchased by the government for domestic feeding programs are now bought to eliminate potential conflicts of interest.

Sugar and Honey

Sugar Import Fees.--On December 21 and March 23, the Department announced that the import fees for sugar would remain at minimum levels--zero cents per pound for raw sugar and one cent per pound for refined sugar for the upcoming calendar quarters (through June 1983). These decisions were made because the average spot price reported by the New York Coffee, Sugar, and Cocoa Exchange during the 20 marketing days base period exceeded the market stabilization price of 20.73 cents per pound. The average spot price during the November 18 through December 17 base period was 20.8275 cents per pound and for the February 18 through March 18 base period, it was 21.7625 cents per pound.

Sugar Imports.--On November 30, 1982, the President signed Presidential Proclamation 5002, which would permit the entry of over-quota sugar for purposes of refining and re-export and for production of certain polyhydric alcohols. On April 8, the Department proposed a rule which would enact the portion of the proclamation which allows sugar to be imported for refining and re-export. Final action is expected in the near future.

Sugarcane Smut.--On November 2, the Department ended emergency regulations in effect since 1978 in Hawaii and certain Florida counties to prevent the spread of sugarcane smut. This action was taken after surveys found the disease had spread to all sugarcane producing areas. The Department also withdrew a sugarcane smut quarantine proposal.

Honey Loan and Purchase Rates.--Loan and purchase rates for the 1983 crop of extracted honey are as follows:

White or ligher	64.4 cents per pound
Extra light amber	61.4 cents per pound
Light amber	58.4 cents per pound
Other table and nontable	54.4 cents per pound

These rates are based on the national average loan and purchase rate of 62.2 cents per pound (60 percent of the April 1983 adjusted parity price). To be eligible, the honey must be in 60 pound or larger containers. Producers have until January 31, 1984, to request 1983 crop loans, all of which will mature on April 30, 1984.

Livestock Programs

Wool and Mohair Programs--Mohair producers voting in December approved of deductions from CCC mohair incentive payments. The deductions will be up to 4.5 cents per pound on mohair marketed from 1982 through 1985. These funds will be used for market promotion of mohair by the Mohair Council of America and are the first deductions authorized from mohair payments since 1971.

In 1982, the national average market price for shorn wool--68.4 cents per pound--was well below the shorn wool support price--$1.37 per pound. Therefore, sheep producers became eligible for approximately $70 million in Federal incentive payments on the wool they sold in 1982. The payment rate is determined by dividing the difference between the support price and the average market price (equal to 68.6 cents) by the average market price. The payment rate for 1982 marketings is 100.3 percent, compared to 42.9 percent in 1981. This rate is then multiplied times the net dollar return each producer received from wool sales to determine individual payments. In addition, sheep producers will receive $2.74 per cwt in Federal payments for unshorn lambs sold or slaughtered in 1982, as compensation for the wool on such animals. Four cents per pound from wool payments and 20 cents per cwt from lamb payments will be withheld for market promotion activities performed by the American Sheep Producers Council.

Mohair producers also are eligible for Federal incentive payments on their 1982 marketings. The average market price for mohair in 1982--$2.55--was below the support price of $3.977 per pound. The payment rate on 1982 mohair marketings is 56 percent. The payment rate and actual payments are determined in the same manner as for wool.

Meat Inspection and Grading.--On November 28, the Department raised its grading and certification fees charged to meatpackers and processors. The fee for work performed between 6 a.m. and 6 p.m., Monday through Friday, increased from $23.20 to $25.00 per hour. The fee for work performed any other time, except legal holidays, increased from $28.20 to $30.00 per hour. The fee for work done on legal holidays increased from $46.40 to $50.00 per hour. The grading and certification services are voluntary and provided to users for a fee.

On December 13, 1982, the Department raised its fees for grading and certification of livestock traded on commodity markets. The fee for work performed between 6 a.m. and 6 p.m., Monday through Friday, increased from $23.20 to $29.40 per hour. The fee for work performed any other time, except legal holidays, increased from $28.20 to $32.80 per hour. The fee for work performed on legal holidays increased from $46.40 to $58.80 per hour. This service is used on livestock deliveries to settle future contracts for the Chicago Mercantile and Mid-American commodity exchanges and on livestock financed through CCC for export.

On February 23, the Department exempted firms that slaughter or process less than 20,000 turkeys per year, and sells them within the State, from Federal inspection regulations. This action increased the exemption ceiling from 5,000 turkeys per year and brings the ceiling into line with exemptions for firms handling chickens and other poultry. In addition, the inspection exemption ceiling for turkey farmers raising and selling their own birds was increased from 250 to 1,000 per year. These actions were taken to implement legislation enacted in

1982. The exempted plants may not share space with other meat or poultry processors and must meet USDA labeling and sanitation requirements.

On April 18, the basic workweek for Federal meat and poultry inspectors was redefined as five consecutive 8-hour days, excluding the lunch period, within a Sunday to Saturday calendar week. Before this change, the five consecutive days were from Monday to Friday, but the new rules state that, where possible, the basic workweek should remain on those days. The basic workweek delineates the period during which the Department provides inspection to plants, importers, and exporters without charge.

On July 1, the Department will alter its normal workweek for voluntary poultry and egg grading services and egg product inspection to include Sunday. This change is being made so that plants operating on a Sunday through Thursday schedule will no longer have to pay fees for a day not worked and overtime rates for Sunday work (although a Sunday differential charge will apply). In addition, plants using the mandatory egg products inspection will no longer be charged for Sunday work that is part of their regular schedule.

The Department increased the retail sales exemption for meat inspection on April 25. Federal law requires all wholesale meat and poultry operations to be inspected. However, retailers may sell to hotels, restaurants, and similar "nonhousehold" consumers within certain limits and remain exempt from inspection. This limit was increased from $28,800 to $30,200 for annual meat sales. The limit on annual poultry sales remains at $23,100. This adjustment is automatically made each year if fluctuations in the Consumer Price Index indicate the price of meat and poultry products have changed more than $500 during the previous year. The figure for meat products increased by about $1,400, but the poultry products figure decreased by only $400. To qualify a retailer must have at least 75 percent of total annual sales originating from household consumers.

Livestock Disease Eradication.--The Department returned to flat rate indemnity payments for cattle destroyed due to brucellosis on November 26. The new rates are $50 for nonregistered beef cattle, American buffalo, and certain calves. For registered animals and nonregistered dairy cattle the rate is $250. The old rate for nonregistered beef cattle had been $62, while there was no previous payments for buffalo. Rates for nonregistered dairy cattle varied from State to State under the old system, while rates for registered cattle were based on a percentage of appraised value less actual slaughter price. These actions were taken to reduce costs and overcompensation.

Vermont became the 13th State to be classified free of brucellosis on November 26. This classification allows cattle to be shipped from Vermont without having to be blood tested first.

On December 15, Virginia became the 21st State to be recognized as free of bovine tuberculosis.

On December 30, the Department designated 36 States to have primary enforcement for regulating the treatment and feeding of garbage feed to swine. The States so designated all have swine health regulations that at least meet minimum Federal standards, with 15 of the States prohibiting garbage feeding to swine. Among the 14 States and Puerto Rico that the Department will have the responsibility for enforcement, four States --AK, AR, MN, WA--and Puerto Rico will be able to issue licenses under cooperative agreements with the Department. (The other 10 States that do not have enforcement responsibility are CN, ME, MA, NH, NM, NC, RI, SD, VT, and WY.)

International Livestock Action.--The Indianapolis airport was approved as the 24th port for exporting livestock on December 20. On December 22, Hidalgo, Texas was listed as a port of entry for imported pet birds. This action was taken to replace Brownsville, which the Department proposed to close since Hildalgo is closer to the Department's quarantine facility in Mission, Texas.

The first and second quarter estimates of U.S. meat imports for 1983 were both below the level that would require restraints on such imports under the Meat Import Act of 1979. Both the January 3 and April 1 estimates for imported beef and certain other meats during 1983 were not more than 1.224 billion pounds. The trigger level for 1983 is 1.231 billion pounds.

On January 4, tighter import requirements were imposed for horses coming from South and Central America. Under the new regulations, importers will no longer be able to quarantine such horses on privately-owned premises in the U.S. Instead, the horses will have to be imported through official animal import centers. This action was taken because the horses may be carriers of Venezuelan equine encephalitis and the Department no longer has the staff to monitor private facilities.

Other Livestock Regulation Changes.--As of January 3, meat and poultry processors no longer have to send a separate notice to Washington when their product labels become obsolete. This action was taken because plant managers inform the Department's on-site inspectors of such action anyway and it was felt that notifying Washington too was not necessary.

Starting on June 1, the chief Departmental inspector at meat and poultry processing plants will be able to approve product labels. Under this system, three categories of labels will be created: Routine labels--such as those with a single ingredient or those for which Washington has approved a preliminary sketch --will be approved by the chief inspector; minor label changes --such as a change in the net weight claim for a product--need no specific approval; complex label changes--such as those carrying new nutritional claims--will continue to be approved in Washington. The change in label approval requirements will greatly reduce the time needed for such action and costs. In addition, the chief inspector should not be over-burdened by the change, since it is estimated each inspector will devote

less than 2 hours per month to labels. The use of the new procedure is voluntary and processors may resubmit any label denials to Washington.

On February 10, the Department reclassified certain chemicals, that are added to cooking and cooling water to prevent staining of cans containing processed meat and poultry products, as non-food compounds, rather than food additives. The chemicals are also used to control corrosion and deposit formation on processing equipment. This action was taken because there is no evidence that the chemicals actually become components of food and the Food and Drug Administration does not classify them as food additives.

On March 1, the Department began allowing the use of autogenous biologics--immunizing agents prepared from micro-organisms that are isolated from an infected or diseased flock or herd--on flocks or herds other than the one from which the disease-organism was isolated. In addition, the autogenous biologics may now be produced from organisms other than bacteria. Other changes included extending expiration dating from 6 to 18 months and the maximum period for using a culture from 30 days to 12 months.

On April 1, dealers, market agencies and meatpackers were given the option of filing letters of credit in lieu of bonds under the Packers and Stockyards Act. Starting on July 1, the maximum bond requirement for livestock dealers and order buyers will be increased from $5,000 to $10,000. In addition, the maximum bond requirement will be calculated on the average of two days' purchases of livestock, plus 10 percent of purchases exceeding $75,000, instead of $50,000. (Farmers and ranchers who purchase livestock for their own stocking or feeding purposes need not file a bond.)

Dairy Programs

The deduction of 50 cents per cwt from the proceeds of milk marketed by dairy farmers began as scheduled on December 1. However, a District Court judge in South Carolina issued a temporary restraining order on the program on December 21 and the Department announced on December 23 that it had stopped its efforts to collect the deductions. In addition, the Department informed all milk handlers that any assessments that were received while the restraining order was in effect would be held in an escrow account.

In response to the court action, the Department, on January 21, announced it was seeking comments on proposals to implement both of the authorized dairy deductions as of April 1, 1983. The Department then implemented the original 50-cent deduction on April 16. (This deduction was also temporarily blocked by a May 5 Federal court order.) Earlier, the Department announced it would delay implementation of the second 50-cent deduction, which if implemented mandates a refund program for producers who reduce their milk marketings, while efforts to enact new dairy legislation were made. However, the Department

will consider implementing the second deduction if a sufficient resolution to the dairy surplus problem is not found by August 1, 1983.

On May 13, the Department revised standards for dry whole milk. The grades U.S. Extra and U.S. Standard were retained, but the grade U.S. Premium was eliminated.

Natural Resources

Grazing Fees.--The Forest Service has lowered the fee it charges for grazing livestock on national grasslands and forests for the second consecutive year. The 1983 grazing fee on national forest land in the 16 Western States will be $1.45 per animal month, down from $1.86 in 1982. (An animal month equals grazing one cow, one horse, or five sheep for one month.) The 1983 grazing fee on national grasslands in Idaho and Oregon will also be $1.45 per animal month and for the 9 Great Plains States it will be $2.86, down from $3.34 in 1982. The fee was lowered because prices received by beef producers declined while livestock production costs increased. Congress may appropriate 50 percent of the collected fees to maintain and improve national forest rangelands, while 25 percent will go to the counties where the grazing land is located, and the remainder will go to the U.S. Treasury.

Forest Service Payments.--On December 1, the Forest Service announced a total of $133 million was paid to 40 States and Puerto Rico. These payments represent 25 percent of the revenues collected by the Agency for land use charges in national forests. An interim payment of $99 million had been made on October 1; therefore, the December payments totaled $34 million. The payments are to be used for schools and roads.

On March 1, the Forest Service made payments totaling over $10 million to the 21 States that have national grasslands and land utilization projects. As with the national forest program, these payments are the States' share--25 percent--of fees collected for various land uses.

Also, on March 1, the Forest Service estimated the States' share of National Forest System land use receipts for 1983 would be approximately $160 million. This estimate includes over $149 million from national forest fees and nearly $11 million from national grasslands and land utilization project fees.

Other Forest Service Action.--On March 15, the Department completed a review of National Forest System lands. It was determined that an additional 134 million acres should be placed in the retention category, along with the 51 million acres placed there earlier. This left around 6 million acres for more intensive study to determine if the land should be retained or sold. However, the Department has no authority to sell any of this national forest land. Therefore, current plans call for the second study not to be implemented until legislation authorizing the sale of unneeded land is passed. In August 1982, 60,000 acres of national forest land was identified as excess and available for possible sale under existing

authority. These actions were taken as part of the asset management program.

Due to depressed market conditions, the Forest Service, on November 26, authorized limited extensions of certain national forest timber sales that had not already been covered by the October 1981 extension. This extension will only apply to contracts made before January 1, 1982, and which are due to expire prior to the end of the 1983 logging season. The contracts may be extended through December 31, 1983. However, an extension will not be granted if the sale involves large volumes of rapidly deteriorating salvage timber. In these cases, any uncompleted sales will be immediately resold. Extended contracts will require an extension deposit and will not be eligible for further extensions.

On December 10, the Forest Service issued a firewood policy for its field offices that makes the procedure for issuing permits to gather firewood consistent across the U.S. Free firewood remains available where supplies significantly exceed demand. But, in all other areas the new policy sets a minimum charge of $10. Higher charges are applied in national forests where there are greater demands for firewood. Generally, each permit limits the recipient to no more than 10 cords of firewood per year for personal use.

In October 1982, a U.S. Court of Appeals upheld a lower court decision that the environmental impact statement prepared for RARE II (roadless area review and evaluation) was inadequate. To comply with this decision, on February 1, the Department announced that national forest roadless areas studied for wilderness potential in 1978 would be subject to reevaluation. Such areas in AK, CO, IN, MO, NM, and WV will not be included, since they are covered by specific legislation.

On April 11, the Department established the plant-a-tree program. This program allows groups and individuals to make tax-deductible donations to finance tree plantings in national forests.

Soil Conservation Programs.--The Department has expanded its agricultural conservation program which targets critical problem areas for intensified soil erosion and water conservation efforts. For fiscal year 1983, $31.5 million was earmarked for the program. Included is $19 million in agricultural conservation program financial assistance supplied by ASCS in 29 States and $12.5 million for technical assistance supplied by the Soil Conservation Service (SCS) in 31 States. Of the $31.5 million, $23.9 million will be used for erosion control, $6.5 million will be used for water management and conservation and $1.1 million will be held in reserve.

On January 28, the Department announced that nearly $5 million will be allocated during fiscal year 1983 for special agricultural conservation programs in 41 States. This program is administered by ASCS, through county committees, with technical

and educational assistance supplied by SCS and the Extension Service, respectively. On projects requiring tree planting, State forestry services will be available to provide additional assistance.

Pest Control

On March 21, parts of DE, ME, MD, MI, NY, PA, VA, and WA were redesignated from low-risk to high-risk gypsy-moth regulated areas. In addition, parts of CA, IL, ME, MI, NC, OH, OR, VA, WA, and WI that had been unregulated were classified as low-risk areas. Efforts to suppress gypsy moths resulted in parts of IL, MI, and OH to be removed from regulation and part of AR to be reclassified from high-risk to low-risk. Under Departmental rules, regulated articles such as outdoor household goods may move between high-risk and low-risk areas and usually between low-risk and unregulated areas. Regulated articles and products must be inspected, treated when necessary, and certified free of gypsy moths before moving from high-risk to unregulated areas.

On March 3, the Department resumed mandatory fumigation of all citrus grown in the lower Rio Grande Valley of Texas to prevent the spread of the Mexican fruit fly. This action was taken after trapping of flies met established criteria to trigger a return to fumigation.

Finance

CCC Loan Rate.--The interest rate on CCC loans has fluctuated around the 9-percent level since last November. In November, the rate stood at 9.75 percent and it decreased to 9.125 for loans issued in December. In January the rate continued to decline to 9 percent, which was applied to all loans issued in January and all outstanding 1981 and 1982 crop commodity loans and farm facility loans disbursed since April 1, 1981. The rate was lowered to 8.625 percent in February, but increased to 9 percent for March. In April, the rate declined again to 8.875 percent, but in May it increased to 9.125 percent.

FmHA Loans.--Interest rates for FmHA programs have continued their decline in 1983. On January 17, the Department lowered the interest rates for farm operating loans from 11.5 to 10.25 percent and for farm ownership loans from 11.5 to 10.75 percent. Interest rates for borrowers with limited resources were reduced from 8.5 to 7.25 percent for operating loans and from 5.75 to 5.25 percent for farm ownership loans. The interest rate for continued annual production loans for financing above actual disaster loss was lowered from 14 to 13 percent. The Department also lowered the interest rate on long-term loans for soil and water conservation, grazing associations, irrigation and drainage, and Indian land acquisition from 11.5 to 10.75 percent. Included in the January 17 interest rate changes were a reduction from 11.5 to 10.75 percent for single family housing loans, for borrowers who cannot afford HUD rates, and for rural rental housing loans.

On two occasions, FmHA lowered the interest rates for water and waste disposal, and community facility loans. On December 31, the rate for those communties able to afford higher levels

of interest dropped from 10.625 to 9.75 percent. The interest rate was lowered further to 9.125 percent on April 1. The interest rate for communities unable to afford the standard rate and unable to qualify for the poverty rate dropped from 7.875 to 7.375 percent on December 31 and was lowered to 7.125 percent on April 1. The poverty-line interest rate remains at 5 percent.

On April 15, the Department reallocated $400 million in FmHA lending authority to fund the Agency's operating loan program. Of the $400 million, $75 million was redirected from FmHA water and sewer grants, $100 million from the FmHA farm ownership program, and $225 million from FmHA water and sewer loan funds. This action was taken after 17 States exhausted FmHA allocations for operating loans.

Nutrition

Surplus Food Distribution.--On November 30, the Department announced that the distribution of surplus cheese and butter to the needy would continue through December 1983. In addition, 280 million pounds of process cheese and 75 million pounds of butter were released from government stocks for the program. This action brought the total amount of cheese made available to States to 500 million pounds and the amount of butter to 125 million pounds.

The Department on March 22 added surplus corn meal, rice, and nonfat dry milk to the list of commodities to be distributed to the needy. The distribution was further expanded on April 27 when flour and honey were included. Many of these products, such as corn and wheat, must be processed and packaged before delivery to the States. The States send the commodities to nonprofit institutions and food banks for final distribution. Approximately 25-35 million pounds of cheese, 10 million pounds of butter, 2 million pounds of rice, 2 million pounds of corn meal, 5 million pounds of nonfat dry milk and 5 million pounds of flour will be distributed monthly (no level for honey has been set). In addition, $75 million worth of perishable commodities will be made available for use in cooperative emergency feeding facilities and $50 million will be allocated to States to defray storage and distribution costs. (At least $10 million of the $50 million will go to local agencies that provide emergency food assistance.) Each State will receive a share of the commodities based on the number of unemployed and people living below the poverty level.

Food Stamps.--The Department required all States to begin matching reported income of food stamp recipients against other wage data by January 1. The States will use Social Security Administration and/or unemployment compensation records to ensure that income reported by applicants matches actual wages. This action implements legislation which requires such matching on a quarterly basis if unemployment compensation records are used and a semi-annual basis if social security data are used. States may apply to the Department for 75 percent of the funds needed to computerize their wage matching systems.

The Department also initiated on January 1 a special effort to monitor redemption of food stamps at commercial banks. Under the first phase, commercial and federal reserve banks were required to make administrative changes in the handling of food stamps, so that information on redemptions could flow to a Departmental computer. Under the second phase, simplified food stamp redemption certificates will be issued over an 18 month period to all grocers accepting food stamp coupons. Commercial banks will also get new forms that will immediately flag any bank that redeems coupons without documentation. Finally, the Department will install an optical scanner that will read the 2 million documents processed each month. These steps are being taken to reduce the potential black market value of food stamps, by making it harder to redeem illegally obtained coupons.

On April 1, the Department increased the penalties facing persons who abuse the food stamp program. Persons found guilty of making false or misleading statements, concealing or withholding facts, making any other misrepresentation, or committing any act that violates a State food stamp law will not receive food stamps for 6 months for a first offense. If found guilty of 2 offenses, the person will not receive food stamps for one year and those found guilty of a third offense will be permanently barred from the program. In addition, the entire household will be held responsible for repaying any overpayments, instead of only the disqualified individual. The repayment may be made in cash, food stamp coupons, or a reduction in monthly benefits.

Other Nutrition Program Actions.--Beginning with the 1983 school year, school districts will verify income information on a sample of free and reduced price meal applications. The sample size will be 3 percent or 3,000, whichever is less, of the approved applications on file by every October 31. The school districts will have 5 months to complete the verifications.

On March 28, the Department released $1.7 million for the Grand Forks Human Nutrition Center in North Dakota. This action increased the fiscal year 1983 operating budget for the laboratory to almost $5 million.

International Actions

Export Credit.--The initial success of the blended credit program, implemented on October 20, 1982, resulted in an increase in funding. By December 17, the original allocation of $500 million for blended credit had been entirely earmarked. On January 11, an additional $1.25 billion was allocated to the blended credit program for use in fiscal year 1983. Of the $1.25 billion, $1 billion is in the form of CCC export credit guarantees (GSM-102), while the remaining $250 million is interest-free direct government export credits (GSM-5). The two allocations are blended at a rate of approximately 20 percent GSM-5 to 80 percent GSM-102 to produce lower interest rates. Coverage is for up to 3 years.

Since the additional $1.25 billion was allocated to the program, blended credit agreements worth over $500 million have

been approved. Included are packages to Jamaica worth over $20 million, Bangladesh--$28 million, Morocco--over $7 million, Iraq--$230 million, Portugal--$70 million, Thailand--$30 million, Egypt--over $82 million, Chile--$31 million, Tunisia--over $61 million, Dominican Republic--over $3 million, and Brazil--$40 million. Among the commodities included in these packages are corn, rice, soybeans, wheat and wheat flour, cotton, eggs, tallow, tobacco, and lumber.

On January 18, the Department announced an agreement that provides for the sale of 1 million metric tons of wheat flour to Egypt at a fixed price--$155 per metric ton. Commercial millers will sell the wheat to Egypt at the set price and be compensated with CCC stocks of wheat. The participating millers were determined through a bid program, with the number of bushels of CCC wheat needed per ton of flour shipped as the basis for the bid. U.S. exporters were authorized to use up to $117.7 million in CCC export credit guarantees for sales of the wheat flour to Egypt. Up to 77.5 percent of the established price is eligible for financing under CCC export credit guarantees, with coverage for up to 3 years. On February 27, the President ordered 50 percent of the flour shipped to Egypt under this agreement to be transported by U.S. flag vessels. This agreement nearly doubles total U.S. flour exports and represents approximately one-sixth of the annual world trade in wheat flour.

Disease and Pest Control.--On January 20, the Department began allowing lemons and persian limes from areas in Mexico not infected with citrus canker to be imported into U.S. states where no significant amounts of citrus are produced. Previously, the Department had allowed importation of grapefruit, oranges, and tangerines from Mexico into all parts of the U.S., but now these fruits will also be restricted from citrus producing areas. All of the imported citrus must be free of plant debris and disinfected. The fruit may transit citrus-growing States on its way to final destinations.

On February 17, the U.S., Mexico, and Canada agreed to establish a cooperative foot and mouth disease vaccine bank. This action was taken to insure there would be vaccine available to meet the needs connected with any large or uncontrollable disease outbreak in the 3 countries.

Starting on March 14, the Department formally required countries exporting meat to the U.S. to include tests on internal organs and fat in their residue testing program. This action makes foreign meat imports subject to the same inspection standards as domestic products. Many of these procedures were already in place in exporting countries.

The Department halted imports of meat from Czechoslovakia on April 8. This action was taken after PCB residues were found in canned hams that arrived in the U.S. in March. All Czechoslovakian meat awaiting entry or in transit will be held at port-of-entries until tests show the product meets U.S.

standards. The U.S. has offered to help Czechoslovakia determine the source of the contamination so that corrective measures can be made. On April 28, the Department removed Czeckoslovakia from the list of eligible exporters to the U.S. This action will remain in effect until the Czechoslovakian government corrects the PCB problem.

Bilateral Agreements.--On February 17, the U.S. and Mexico signed an agricultural supply agreement covering exports to Mexico through the end of 1983. The agreement affects 6.2 million tons of agricultural products, including corn, sorghum, soybeans, sunflower seed, cotton seed, eggs, and tallow. In addition, direct sales of 60,000 tons of powdered milk to Mexico (which actually occurred on December 30, 1982) was part of the agreement, as was $1.6 billion in CCC export credit guarantees ($1 billion of which was authorized September 17). The agreement also calls for U.S.-Mexican tansportation coordination and semi-annual consultations on Mexican import needs.

On April 22, the President announced that the U.S. had offered to negotiate a new long-term grain agreement with the Soviet Union. Although the USSR has yet to respond to this proposal (as of May 10), a USSR proposal to hold consultations during the first week of June has been agreed to.

Other International Actions.--On December 1, the Department announced that the 11th U.S. agricultural trade office would be opened in Jidda, Saudi Arabia in 1983.

The Department has started donating CCC-owned dairy products overseas. The first donation was announced on January 14 and involved 120,000 pounds of nonfat dry milk for use in Haiti. Since then, nonfat dry milk and butteroil have been donated for use in Chile and Peru; nonfat dry milk, butteroil, and cheese have been donated for use in Mexico; and nonfat dry milk, cheese, and butter have been donated for use in Poland. The donations of products for use in Haiti, Chili, Poland, and some of the products for Mexico were made to private humanitarian organizations. The donations for Peru and the remainder of the products for Mexico were made to the respective governments.

Departmental Actions

The Department started a new telephone call-in service named AGLINE on April 29. This service is available only to callers in the Central Time Zone and operates from midnight Central Time Thursday until midnight Friday each week. For approximately $1.20 per call, users will receive a 3-minute news summary of agricultural information including commodity prices.

POLICY THROUGH LEGISLATION

Appropriations

The fiscal year 1983 appropriations bill for Agriculture, Rural Development, and related agencies was signed into law on December 18, 1982 (PL 97-370). This legislation set spending levels for most of the agencies within the Department of Agriculture, with some notable exceptions, such as the Forest Service which is included in the Interior Department appropriations bill. Included in PL 97-370 was a provision which requires reporting of 1983 farm income estimates on a quarterly basis beginning prior to December 31, 1982. In addition, funding was provided to allow the Department to reinstate monthly reports on dairy products, milk production, egg production by type, livestock slaughter, end-of-month cold storage holdings, and catfish processing and sales. The annual mink report was also reinstated.

Futures Trading and Contract Sanctity

On January 11, 1983, the Futures Trading Act of 1983 (PL 97-444) was signed into law. This legislation extended the life of the Commodity Exchange Act and, therefore, the Commodity Futures Trading Commission (CFTC) through September 30, 1986. Under PL 97-444, there are now safeguards against abuses in future trading and the jurisdictional areas of CFTC and the Securities and Exchange Commission are defined. A provision to allow a pilot test of agricultural commodity options trading is also part of the Act. Finally, PL 97-444 has a clause which restricts the government from imposing an export embargo on any agricultural product whose contract was entered into prior to the government announcing such action and whose contract calls for delivery within 270 days of the date the trade suspension was imposed. The only exceptions to this provision are if the President declares a national emergency or Congress declares war.

Pest and Disease Control

On January 12, 1983, PL 97-461 was enacted which allows civil penalties to be assessed for violation of laws relating to the prevention of the introduction and dissemination of plant pests and plant, livestock, and poultry diseases into the U.S. In addition, criminal fines for such actions were increased. Generally, the new civil penalties may not exceed $1,000. The new maximum criminal fines are $5,000 and/or one year in jail. The Department cannot assess any civil penalties under PL 97-461 until notice and an opportunity for an agency hearing on the matter are given.

National Forest Lands

PL 97-465, signed into law on January 12, 1983, gave the Secretary of Agriculture authority to sell certain National Forest System lands. In all cases, the land must have a value of $150,000 or less and it must be determined that exchange of the land is not practicable under any other authority. The Secretary will be able to sell, exchange, or interchange by quit claim deed all Federal interest in the land including

mineral rights. The provisions of PL 97-465 do not include authority to sell national wilderness, wild and scenic rivers, trails systems, or monument lands.

PIK Taxes

One of the first bills to clear the 98th Congress affected the tax treatment for commodities received as PIK payments for 1983 crop year programs (PL 98-4). Because of this law, commodities received under PIK will not be considered as income until they are sold by the producer. In addition, land diverted from production under PIK in 1983 will be treated as used by the qualified taxpayer in the active conduct of farming, with the land devoted to conservation uses considered to be in operation. This action insures that estate tax provisions will not be affected by PIK.

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